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Oilseeds and Products December Update

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Report Highlights:
Russia harvested a record oilseeds crop in 2011. FAS Moscow forecasts oilseeds production at 11.6 million metric tons (MMT), a nearly 60 percent increase from last year's poor crop. Sunflowerseed production is estimated at 8.7 MMT, soybean production at 1.6 MMT, and rapeseed production at 1.1 MMT. Production of all other oilseeds, such as oily linseed, mustard, and other are forecasted at 0.2-0.3 MMT total. Despite the bumper oilseeds crop, Russia will continue importing over 1 MMT of soybeans due to very strong demand from the expanding poultry sector. Although oilseed exports are expected to rise to 0.5 MMT, high domestic demand and export duties will likely limit growth in excess of this. Investment is continuing in the expansion and upgrading of Russia's crushing facilities, and the domestic market for oilseeds is continuing to grow. With the huge crop, FAS Moscow forecasts domestic crush to reach 11 MMT, and production of oilseeds meal to approach 5.5 MMT. Production of vegetable oil is expected to reach 4.0 MMT. Most of meal and oil will be consumed domestically, although exports of sunflowerseed meal and oil are expected to expand.

Production:

Sunflowerseeds, Sunflowerseed Meal and Oil

As of November 16, 2011, Russian farmers harvested 8.4 MMT of sunflowerseeds from 6.3 million hectares, or 85 percent of the total planned harvest area. The leaders in sunflowerseed production are Krasnodar kray, Saratov, Rostov and Voronezh oblasts. Due to bad weather in the Volga Valley and Siberia since mid-November, harvesting of sunflowerseeds almost stopped there. Meanwhile, industry analysts report that in some parts of Russia farmers were under-reporting their sunflowerseed crop. FAS Moscow forecasts the total sunflowerseed crop at 8.7 MMT, which will be the largest ever in Russia and up 63 percent from last year.

Due to the bumper crop and continued steady development of Russian oilseeds crushing industry, FAS Moscow forecasts that Russia will crush 7.5 MMT of sunflowerseeds. Production of sunflowerseed meal is forecasted at 2.8 MMT, and production of sunflowerseed oil is forecasted at 3.1 MMT.

Soybeans, Soybean Meal and Oil

As of November 16, 2011, Russian farmers harvested 1.56 MMT of soybeans from 1.06 million hectares (87 percent of area planned to be harvested). Over 53 percent of the crop has been harvested in Amur oblast of the Far Eastern Federal District. In the last 3 years soybean production in Amur oblast has been increasing due to increased sown area and higher yields. In 2011, area sown to soybeans in Amur oblast increased from 2010 by 15 percent to 560 thousand hectares, and farmers harvested a record 830,000 MT of soybeans. The rest of the soybean crop was produced in Krasnodar kray (almost 16 percent of the total), and 10 percent of Russia's soybean crop was produced in Belgorod oblast. The total soybean crop is forecasted at 1.6 MMT.

Russian domestic crush of soybeans is forecasted 2.6 MMT, a 20 percent increase from last year. Soybean meal production is forecasted at 2.1 MMT (20 percent increase), and soybean oil production is forecasted at 465,000 MT (22 percent increase). Despite the growth of domestic soybean production, imported soybeans will continue to comprise a large segment of crushed beans. Most of soybean production is in the Far East of Russia while most of Russian modern soybean crushing facilities are in the Western part of European Russia, close to meal markets. Transportation costs of Far-Eastern soybeans to crushing facilities can be as high as $150 per ton, compared to less than $50 per ton transport costs of imported soybeans. However, due to very low prices of Far-Eastern soybeans this year, even with these high transport costs Far-Eastern soybeans are still attractive to crushers in European Russia, and they are expected to use more of these domestic soybeans in addition to imports.

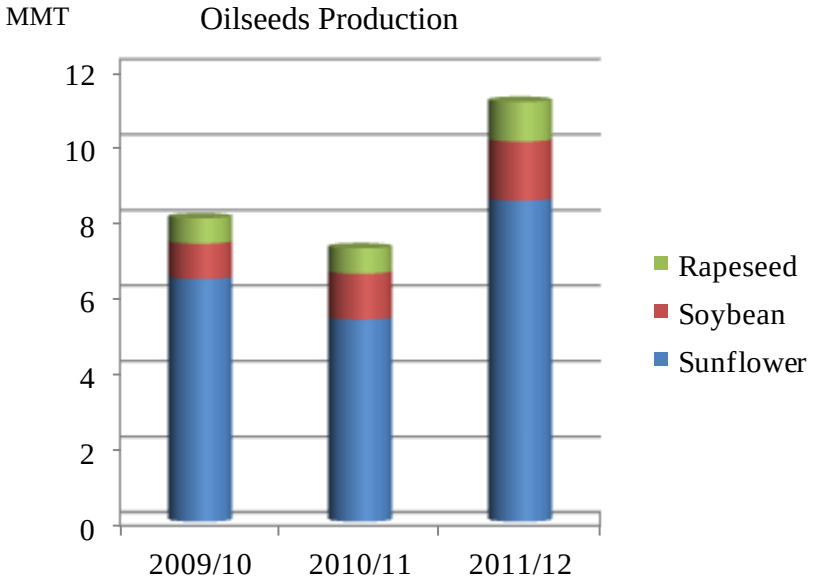
Rapeseeds, Rapeseeds Meal and Oil

FAS Moscow forecasts a record 1.1 MMT's production of rapeseeds in MY 2011. By November 16, 2011, Russian farmers harvested over 1 MMT of rapeseeds from 0.8 million hectares, or 90 percent of the total harvest area. Stavropol kray and Tatarstan Republic are the leaders in rapeseed production in 2011, while Kaliningrad oblast, competitor to Stavropol in the previous years, decreased production due to unfavorable weather in spring.

Most of rapeseeds will be crushed domestically, and FAS Moscow forecasts Russia's rapeseed crush at 0.9 MMT. The total rapeseed meal production is forecast at 0.5 MMT, and production of rapeseeds oil at 0.3 MMT

Other Oilseeds

Area sown to oily linseed increased in 2011 by 85 percent, and in 2010 – by 84 percent from 2009. While production of linseed in 2009 was only 94,000 MT, in 2010 production increased to 173,000 MT, and in 2011 this production may exceed 200,000 MT. The leaders in linseed production were Rostov oblast, Altay kray, and Samara oblast. Linseed is becoming more and more popular, because there are no export duties on these seeds, and overseas niche markets abroad are growing.



Consumption:

Sunflowerseed Meal and Sunflowerseed Oil

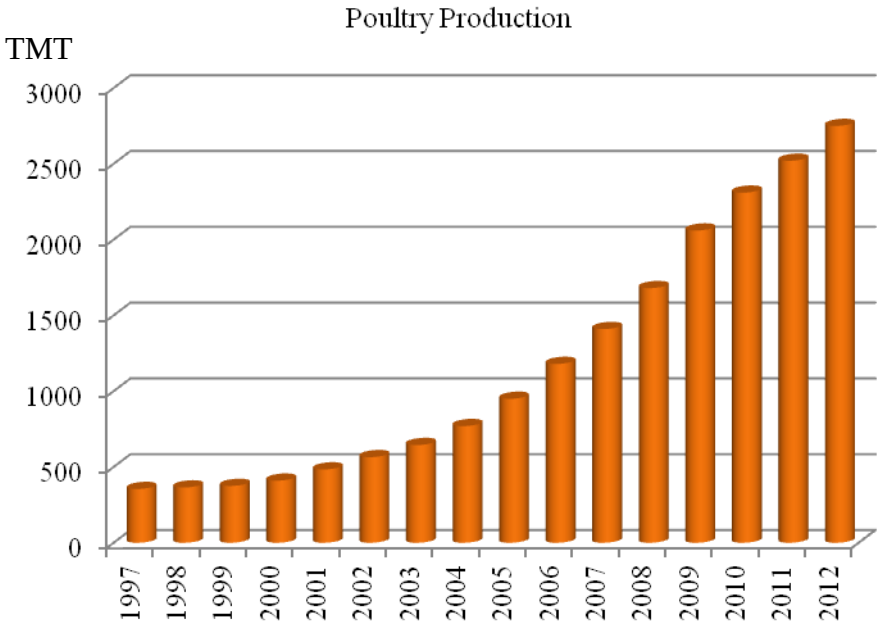
FAS forecasts domestic sunflowerseed meal consumption to increase to 1.7 MMT compared with 1.46 MT in MY 2010. However, Russia's growing poultry industry, the major consumer of protein meal, prefers soybean meal to sunflowerseed meal, although the price of sunflowerseed meal may be more attractive, and nutrition parameters of these meals may not be drastically different. One of the major

reasons for soybean meal preference is in marketing and in logistics. Most of the major poultry farms are in areas far from crushing plants (which are located primarily in sunflowerseed producing areas). Conversely, most of major crushers also trade and export grain, and for their business exports of sunflowerseed meal are often more attractive than marketing this meal domestically.

Sunflowerseed oil remains Russia's staple vegetable oil, but consumer demand in this vegetable oil has reached its apex and no further growth is expected. FAS Moscow forecasts domestic food use consumption of sunflowerseed oil at 1.7 MMT, and industrial consumption is forecasted to increase to 340,000 MT, compared with 330,000 MT in MY 2010. Given the relative stabilization of domestic consumption of sunflowerseed oil, export incentives are increasing.

Soybean Meal and Soybean Oil

Demand for soybean meal is forecast to increase due to very strong demand from the rapidly expanding poultry industry (see chart below). FAS Moscow forecasts domestic consumption of soybean meal at 2.5 MMT, a 13 percent increase from last year. Since Russian consumers prefer sunflowerseed oil in food consumption and imported cheap palm oil is replacing other vegetable oils in many segments of food industry, soybean oil domestic consumption will remain relatively low. FAS Moscow forecasts it at less than 0.3 MMT.



Trade:

Sunflowerseeds, Sunflowerseed Meal, Sunflowerseed Oil

The sunflowerseed export duty remains 20 percent but not less than 35 Euro per MT, which severely restricts sunflowerseed exports. In September-October 2011, despite the duty, Russia exported over 10,000 MT of sunflowerseeds, equal to all the exports in MY 2010. With the record crop, FAS Moscow forecasts sunflowerseed exports in MY 2011 at 250,000 MT.

In MY 2011 Russia is forecast to export 1 MMT of sunflowerseed meal. Exports of sunflowerseed meal have been growing in the last 5-6 years along with development of domestic crush. Even in MY 2010, when the crop was damaged by heat and domestic crush dropped by 17 percent, sunflowerseed meal exports decreased only by 12 percent. The major markets for Russian sunflowerseed meal are Italy, Turkey, Greece, and Latvia. In September – October 2011 Russia exported 130,000 MT of sunflowerseed meal, including 51,300 MT shipped to Italy, 31,300 MT to Turkey, and 21,400 MT to Latvia.

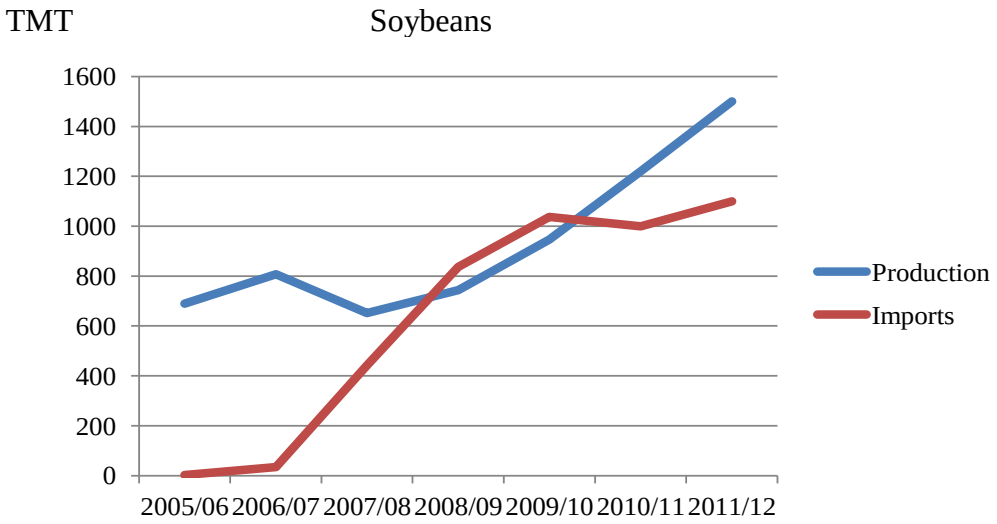
FAS Moscow forecasts that exports of sunflowerseed oil will exceed 1.0 MMT, almost a 5 time increase from the last year, and double MY 2009. In September – October 2011 Russia exported 65,500 MT of crude sunflowerseed oil, and this exceeded all sunflowerseed crude oil exports in MY 2010. Russian exports of refined sunflowerseed oil in September – October 2011 were 15,900 MT, which is not much higher than last year but may increase later in MY 2011.

Soybeans, Soybean Meal, Soybean Oil

FAS Moscow forecasts Russian soybean imports to remain relatively stable at 1.1 MMT. When a large soybean crushing and importing facility in Kaliningrad came online 3 years ago, there was a sharp rise in imports until it reached production capacity. As it has reached capacity, imports are not expected to expand until new capacity is added in the future. In September, Russia imported 50,500 MT, half of which came from Paraguay, and in October imports of soybeans almost reached 76,200 MT (all imports from Paraguay). Soybean exports are still curbed by the export duty of 20 percent of customs value but not less 35 Euro per MT. Although some industry analysts indicate that soybeans from the Far East are exported to nearby China, these exports are not reflected in customs data.

Imports of soybean meal are forecasted at 0.5 MMT, a 10 percent increase from last year. Despite the 5 percent import duty on soybean meal, imports of soybean meal will be increasing along with growing demand of Russian poultry, pig and dairy industries. In September – October 2011, Russia imported 58,750 MT and 56,090 MT of soybean meal respectively, more than in any month of MY 2010 (except June 2011).

Exports of soybean oil will increase by 31 percent to 190,000 MT, and most of shipments will be to European countries from the crushing plant in Kaliningrad. Imports of soybean oil will be not significant.

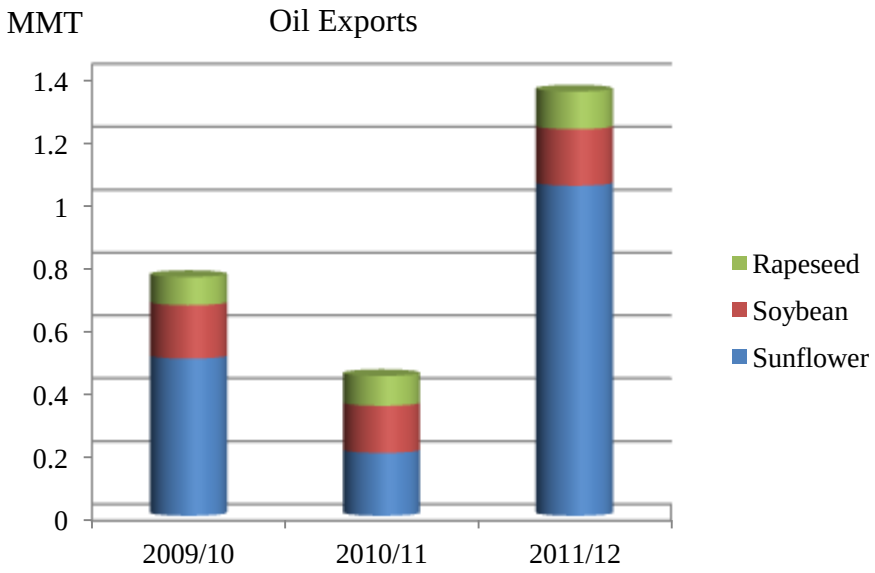


Rapeseeds, Rapeseeds Meal and Rapeseeds Oil

FAS Moscow forecasts rapeseed exports to increase from 40,000 MT to 160,000 MT due to increased production. Strong demand from Europe is expected to drive trade despite an existing 15 percent, but not less than 30 Euro per MT export duty.
Exports of rapeseed meal is expected to grow 45 percent to 220,000 MT, and exports of rapeseed oil by 38 percent to 130,000 MT. The major market for oil will be EU countries.

Palm Oil

Ukraine has been one of the major suppliers of tropical (palm) oil to Russia. Typically, this oil has been imported into Ukraine and then exported as Ukrainian oil to benefit from better market access and reduced tariffs as a CIS country. However, in August 2011, in accord with the updated requirements to determining country of origin (ratification of agreement on the rules of determining country of origin in the CIS countries), tropical oils from Ukraine can be considered as originated from Ukraine only if it is processed in Ukraine and imported to Russia under a different customs code. This will provides competitive advantages to Russian importers of palm oil. Beginning January 2012 duty free imports of palm oil in bulk (except in 20 MT's bins) will be common for the whole Customs Union. Import duty on palm oil in 20 MT's bins will be 400 Euro per 1 MT.



Policy:

So far there have been only small adjustments to Russian policy towards the oilseed sector, such as extension of preferential railway tariff for transportation of Russian soybeans from the Far East to European Russia for processing. With WTO accession there are expected to be changes in export duties for oilseeds although the details are not yet know.

Production, Supply and Demand Data Statistics :

PSD Sunflowerseeds

Oilseed, Sunflowerseed Russia	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Sep 2009		Market Year Begin: Sep 2010		Market Year Begin: Sep 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	5,200	5,200	5,200	7,150	5,200	7,200
Area Harvested	5,600	5,600	5,550	5,560	7,300	6,500
Beginning Stocks	575	575	283	283	130	130
Production	6,425	6,425	5,350	5,350	8,800	8,700
MY Imports	23	23	42	42	10	10
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	7,023	7,023	5,675	5,675	8,940	8,840
MY Exports	20	20	10	10	320	250
MY Exp. to EU	0	0	0	5	0	5
Crush	6,065	6,065	5,045	5,045	7,300	7,500
Food Use Dom. Cons.	220	220	200	200	230	230
Feed Waste Dom. Cons.	435	435	290	290	450	450
Total Dom. Cons.	6,720	6,720	5,535	5,535	7,980	8,180
Ending Stocks	283	283	130	130	640	410
Total Distribution	7,023	7,023	5,675	5,675	8,940	8,840
1000 HA, 1000 MT						

PSD Sunflowerseed Meal

Meal, Sunflowerseed Russia	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Sep 2009		Market Year Begin: Sep 2010		Market Year Begin: Sep 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	6,065	6,065	5,045	5,045	7,300	7,500
Extr. Rate, 999.9999	0	0	0	0	0	0
Beginning Stocks	16	16	204	204	53	53
Production	2,253	2,253	1,874	1,874	2,716	2,790
MY Imports	2	2	17	17	5	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	2,271	2,271	2,095	2,095	2,774	2,843
MY Exports	660	660	583	583	1,100	1,000
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	1,407	1,407	1,459	1,459	1,600	1,680
Total Dom. Cons.	1,407	1,407	1,459	1,459	1,600	1,680
Ending Stocks	204	204	53	53	74	163
Total Distribution	2,271	2,271	2,095	2,095	2,774	2,843
1000 MT, PERCENT						

PSD Sunflowerseed Oil

Oil, Sunflowerseed Russia	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Sep 2009		Market Year Begin: Sep 2010		Market Year Begin: Sep 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	6,065	6,065	5,045	5,045	7,300	7,500
Extr. Rate, 999.9999	0	0	0	0	0	0
Beginning Stocks	59	59	99	99	76	76
Production	2,505	2,505	2,082	2,082	3,015	3,100
MY Imports	55	55	149	149	70	60
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	2,619	2,619	2,330	2,330	3,161	3,236
MY Exports	504	504	213	213	1,000	1,060
MY Exp. to EU	91	240	25	25	500	500
Industrial Dom. Cons.	320	320	330	330	320	340
Food Use Dom. Cons.	1,666	1,666	1,681	1,681	1,710	1,700
Feed Waste Dom. Cons.	30	30	30	30	30	30
Total Dom. Cons.	2,016	2,016	2,041	2,041	2,060	2,070
Ending Stocks	99	99	76	76	101	106
Total Distribution	2,619	2,619	2,330	2,330	3,161	3,236
1000 MT, PERCENT						

PSD Soybeans

Oilseed, Soybean Russia	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Sep 2009		Market Year Begin: Sep 2010		Market Year Begin: Sep 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	725	874	1,000	1,205	1,000	1,200
Area Harvested	792	792	1,036	1,035	1,200	1,000
Beginning Stocks	92	92	91	91	112	113
Production	942	942	1,222	1,222	1,500	1,570
MY Imports	1,037	1,037	1,000	1,001	1,100	1,100
MY Imp. from U.S.	96	90	27	27	150	150
MY Imp. from EU	0	0	0	0	0	0
Total Supply	2,071	2,071	2,313	2,314	2,712	2,783

MY Exports	0	0	1	1	0	40
MY Exp. to EU	0	0	0	0	0	0
Crush	1,950	1,950	2,170	2,170	2,540	2,600
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	30	30	30	30	50	30
Total Dom. Cons.	1,980	1,980	2,200	2,200	2,590	2,630
Ending Stocks	91	91	112	113	122	113
Total Distribution	2,071	2,071	2,313	2,314	2,712	2,783
1000 HA, 1000 MT						

PSD Soybean Meal

Meal, Soybean Russia	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Sep 2009		Market Year Begin: Sep 2010		Market Year Begin: Sep 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	1,950	1,950	2,170	2,170	2,540	2,600
Extr. Rate, 999.9999	1	1	1	1	1	1
Beginning Stocks	8	8	82	82	36	36
Production	1,535	1,535	1,708	1,708	2,002	2,050
MY Imports	416	416	455	453	350	500
MY Imp. from U.S.	45	40	46	46	30	50
MY Imp. from EU	150	150	130	129	150	130
Total Supply	1,959	1,959	2,245	2,243	2,388	2,586
MY Exports	3	3	28	28	30	50
MY Exp. to EU	2	2	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	1,874	1,874	2,181	2,179	2,304	2,460
Total Dom. Cons.	1,874	1,874	2,181	2,179	2,304	2,460
Ending Stocks	82	82	36	36	54	76
Total Distribution	1,959	1,959	2,245	2,243	2,388	2,586
1000 MT, PERCENT						

PSD Soybean Oil

Oil, Soybean Russia	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Sep 2009		Market Year Begin: Sep 2010		Market Year Begin: Sep 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	1,950	1,950	2,170	2,170	2,540	2,600
Extr. Rate, 999.9999	0	0	0	0	0	0
Beginning Stocks	13	13	5	5	31	31
Production	349	349	389	389	455	465
MY Imports	17	17	22	22	15	15
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	12	12	10	10	10	10
Total Supply	379	379	416	416	501	511
MY Exports	170	170	145	145	170	190
MY Exp. to EU	150	80	139	139	120	120
Industrial Dom. Cons.	30	30	30	30	30	30
Food Use Dom. Cons.	174	174	210	210	247	250
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	204	204	240	240	277	280
Ending Stocks	5	5	31	31	54	41
Total Distribution	379	379	416	416	501	511
1000 MT, PERCENT						

PSD Rapeseed

Oilseed, Rapeseed Russia	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	570	570	650	855	800	800
Area Harvested	555	555	612	650	770	600
Beginning Stocks	224	226	94	94	98	98
Production	667	665	670	670	950	1,050
MY Imports	1	1	1	1	1	1
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	1	1	1	1	1	0
Total Supply	892	892	765	765	1,049	1,149
MY Exports	111	111	41	41	150	160
MY Exp. to EU	87	75	40	40	40	40
Crush	670	670	610	610	775	860
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	17	17	16	16	17	25
Total Dom. Cons.	687	687	626	626	792	885
Ending Stocks	94	94	98	98	107	104
Total Distribution	892	892	765	765	1,049	1,149
1000 HA, 1000 MT						

PSD Rapeseed Meal

Meal, Rapeseed Russia	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	670	670	610	610	775	860
Extr. Rate, 999.9999	1	1	1	1	1	1
Beginning Stocks	0	0	0	0	0	0
Production	400	400	364	364	462	510
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	400	400	364	364	462	510
MY Exports	100	100	151	151	200	220
MY Exp. to EU	71	20	85	85	85	90
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	300	300	213	213	262	290
Total Dom. Cons.	300	300	213	213	262	290
Ending Stocks	0	0	0	0	0	0
Total Distribution	400	400	364	364	462	510
1000 MT, PERCENT						

PSD Rapeseed Oil

Oil, Rapeseed Russia	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	670	670	610	610	775	860
Extr. Rate, 999.9999	0	0	0	0	0	0
Beginning Stocks	18	18	20	20	3	3
Production	263	263	239	239	304	337
MY Imports	1	1	1	1	1	1
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0

Total Supply	282	282	260	260	308	341
MY Exports	88	88	94	94	100	130
MY Exp. to EU	85	63	95	65	90	90
Industrial Dom. Cons.	20	20	30	30	20	20
Food Use Dom. Cons.	154	154	133	133	148	155
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	174	174	163	163	168	175
Ending Stocks	20	20	3	3	40	36
Total Distribution	282	282	260	260	308	341
1000 MT, PERCENT						